

Interim Report 2009

Redhall Group plc

Financial Highlights

	Six months to 31 March 2009 £000	Six months to 31 March 2008 £000	Improvement	
			£000	%
Group revenue	64,841	41,475	23,366	56%
Adjusted PBTA*	3,107	1,902	1,205	63%
Profit before tax	2,789	1,769	1,020	58%
Adjusted basic earnings per share**	8.31p	7.25p	1.06p	15%
Adjusted fully taxed diluted earnings per share***	7.92p	6.32p	1.60p	25%
Interim dividend per share	1.65p	1.50p	0.15p	10%

The Group generated £1.7 million of cash from operating activities and closed the period with net cash of £5.1 million, nil gearing and net assets of £42 million.

* Adjusted PBTA is profit before tax and amortisation of intangible assets.

** Adjusted basic EPS reflects the actual tax rate and earnings before amortisation of intangible assets.

*** Adjusted fully taxed diluted EPS reflects the full tax rate of 28% and earnings before amortisation of intangible assets.

Chairman's Statement

Introduction

We have built a stable and robust business, through both organic growth and targeted acquisitions, offering specialist engineering support services across a number of attractive sectors. We have loyal core customers (both in the private and public sectors), with progressive strategies and we work in partnership with them to access short, medium and long term opportunities. The range of sectors that we operate in and the breadth of client requirements give the business its balance, substance and robustness. This has enabled us to weather the current economic climate and produce strong organic growth.

Given the evolution of the business and the focus on specialist engineering support services to the energy, defence and process sectors we have been notified by FTSE's Industry Classification Benchmark Committee that Redhall will be reclassified from Industrial Engineering to Support Services following the June review.

Trading Results

We are once again able to report much improved interim trading results with revenue up 56% at £64.8 million (2008: £41.5 million), representing organic growth of 16% and adjusted profit before taxation and amortisation at £3.1 million up 63% from the 2008 comparative of £1.9 million. The result for the six months to 31 March 2009 incorporates for the first time a five month contribution from Chieftain Group plc. Earnings per share on an adjusted fully taxed, fully diluted basis are up by 25% at 7.92p (2008: 6.32p).

In line with the Board's long term strategy and the ongoing development of our business incorporating the recently acquired Chieftain Group plc, we will report under revised segments of Energy, Defence and Process services. We believe this analysis provides clearer definition of our key markets and activities to both shareholders and customers. Our increasingly integrated operating model reflects our ability to rapidly integrate acquired businesses into our existing Group. This has led

to greater client recognition of the Redhall brand which is already contributing to more significant contract opportunities.

Operating Review

Energy (47% of Revenue)

This segment covers our manufacturing and engineering site services activities in civil nuclear, oil and gas (onshore and offshore) and power. Energy now represents 47% of Group revenue at £30.2 million, an increase of 35% on 2008 revenue of £22.3 million. Operating profit prior to intangibles amortisation at £2.1 million shows an increase of 49% (2008: £1.4 million). The overall operating margin achieved in this segment was 7.0% compared to 6.4% in 2008.

The civil nuclear market at Sellafield has seen substantial change over the past year with the introduction of a new Parent Body Organisation (PBO) to operate the site. This change has resulted in the slower letting and execution of work and below average levels of activity. However, our key frameworks at Sellafield in legacy ponds and silos together with major projects including SPRS, which was completed successfully, have provided a good base workload.

During the period we have expanded our geographic and client footprint to now include Trawsfynydd, Berkeley, Bradwell and Hunterston and are working with British Energy at Hartlepool. We are focusing our current and future business in strategically important areas where Nuclear Decommissioning Authority (NDA) spend will be concentrated.

The Group's oil and gas activities have been very strong despite the reduction in commodity prices. With the exception of the cancellation of our Sea Dragon outfitting contract which has now been concluded satisfactorily, upstream markets have remained buoyant particularly in our offshore manufacturing operations as a consequence of the long term nature of the projects. Downstream activities have seen substantial growth particularly in onshore refinery maintenance and projects supporting tankage and storage. Some project deferrals

were evident due to market conditions but the balance of our order book enabled the business to accommodate any delays.

Power is a newer area of focus and one in which we intend to invest further. Chieftain's existing activities in Northern Ireland and the North East where they provide infrastructure support to major power facilities have been incorporated into this segment. We also took our first steps into alternative power by securing contracts for the mechanical installation of equipment at a waste to energy plant for Lancashire County Council and Blackpool Council, which is one of the UK's largest PFI waste contracts. We expect this to be a launch-pad for future opportunities, illustrating our ability to leverage our existing skill base.

Defence (20% of Revenue)

The defence segment incorporates our submarine outfitting programme with BAe Systems for the MOD at Barrow and our design, mechanical and electrical engineering operations for AWE Aldermaston. Revenue at £13.1 million is 175% ahead of the 2008 figure of £4.8 million. The Chieftain activities at Barrow contributed £3.9 million of this revenue. Operating profit prior to intangibles amortisation was £855,000, an increase of 84% on the 2008 comparative of £465,000. Operating margin of 6.5% this year compares to 9.8% last year reflecting the current lower margin from Barrow activities and a change in mix of business with AWE where third party procurement on behalf of AWE has increased. We are looking to improve our margin return at Barrow through increased scope and enhanced efficiency.

Growth in defence has been driven by significantly improved performance at AWE, where the confidence of our principal client has delivered contract awards across the Group including notably to assist in major projects. We commenced our blast relief design and manufacture contract for Project HEFF which will be worth in excess of £8 million over this year and next and secured a design contract for AWE's next major project MENSA. Our re-kit contracts for the high security areas have grown

and the Group has secured for the first time enabling site work for one of the major projects.

Our submarine outfitting contract at Barrow with BAe performed as expected. We believe that there is a significant opportunity to expand our support to BAe in the near term and the improvement programme implemented following acquisition will reap rewards.

Process (33% of Revenue)

Process principally comprises food and chemical engineering activities. Revenue of £21.5 million is up 49% on the 2008 comparative of £14.4 million. Operating profit prior to intangibles amortisation at £1.3 million from this division is 8.3% ahead of the 2008 comparative of £1.2 million. Operating margin of 6.2% compared to a 2008 margin of 8.2% reflects the increased competitive nature of this sector during the recession although increased activity levels should improve this margin.

Whilst the branded food sector has remained resilient, the chemical sector has been impacted by the wider reduction in consumer demand. Increased competition has come from both national and local players. We have remained selective regarding key bidding decisions and we have prioritised our major clients whom we believe will benefit from the upswing in the economy in the future.

Financial Position

We have remained cash positive during the first half of the current financial year. Cash generated from operations totalled £1.7 million equating to 54% conversion of adjusted operating profit. Although down on previous cash generation performance this conversion takes into account the reversal of the negative work in progress position of the past two years on our major Sellafield contract SPRS and the adoption of a 5% retention. Notwithstanding this our average cash conversion for the past three years is 97%. We ended the period with net cash resources of £5.1 million, nil gearing and net assets of £42.2 million.

The effective rate of tax in the period under review is 25% reflecting the diminution in the level of tax losses originally inherited by the current management team in October 2005. As at 31 March 2009 we have £1.4 million of tax losses unrecognised in our deferred taxation account. These will be recognised as and when we feel it appropriate in line with accounting standards.

We have recently put in place new bank facilities of £18 million with our bankers Lloyds Banking Group PLC. These facilities are priced in a range between 1.5% and 1.75% over base/LIBOR and are available for a three year period. The cost of these facilities is being amortised over the three year facility term.

Dividend

The Board has recommended an interim dividend of 1.65p per share, a 10% increase on the 1.5p interim dividend in 2008 and in line with the continuation of our stated policy of a minimum of three times cover. The dividend will be paid on 10 July 2009 to shareholders on the register on 12 June 2009.

We have noted the current trend to preserve cash but consider an increase in the dividend justified based on the current performance of the business, its future prospects and its sustained ability to convert operating profit into cash.

Acquisition

The major strategic move during the period was the acquisition of Chieftain Group plc on 31 October 2008. This acquisition is now in the process of being fully integrated into the Redhall Group, a process which should be complete by the time we report our preliminary results. We are pleased with the progress of integration so far and have achieved our initial target of £0.5 million of annual overhead savings.

We are particularly pleased with the development of the relationship with our client BAe Systems at Barrow in relation to the Astute Submarine programme. We are currently working on Boats 1, 2 and 3 in the

programme and are in discussion regarding potential participation on the Boat 4 programme. We are also in talks regarding the prospect of an enhanced scope of work which would encompass mechanical engineering.

We are also pleased that we have been able to introduce Chieftain to the oil and gas industry on the Humber Bank as announced in the pre-close statement of 7 April 2009 through co-operation with our existing Grimsby operation. The initial anticipated contract value of £4 million has now grown significantly. In addition we have been able to secure new work for our fabrication shop on Tyneside of approximately £3 million which replaces a further element of work lost with the cancellation of the Sea Dragon contract. We have now substantially rebuilt the order book lost in January.

The Chieftain acquisition has given the Group enhanced prospects in strategically important target sectors particularly at Barrow which was the principal focus of our interest. The true benefits of the acquisition will become evident over the next two years.

Prospects

We continue to grow the business organically, by association with strategic partners and by acquisition. Our organic growth in the last three years from our base businesses has been on average 29.2% per annum.

Organically our main aims are to win major projects at the two principal nuclear sites in the UK at Sellafield and Aldermaston. This may require the assistance of a strategic alliance. We have recently submitted a compliant bid for the build of the new Box Encapsulation Plant Product Store (BEPPS) at Sellafield in a joint venture with others under the name Synergy+. The value of this project is estimated to be in excess of £200 million of which mechanical engineering will be approximately 40%. The project will have a duration of approximately three years and commence during 2010. This is an example of the type of project that we are now capable of bidding for and is a reflection of the growth in stature and reputation of the

Redhall Group in the last two and a half years. We firmly believe that the building blocks are now in place and we have the capabilities to be awarded control of a major project.

The change of PBO at Sellafield resulted in a slower than expected award of contracts. However, we are now seeing definitive evidence that the hiatus is over and we are starting to see an acceleration in contracts being awarded. We are, of course, acutely aware of likely restrictions on Government spending and we are concentrating our efforts on areas where our management team consider the spend to be essential.

It is also true to say that our growing and evidenced track record of excellence in delivery together with our enhanced profile is something we are using to our advantage. One area where I believe we can be highly effective is at AWE Aldermaston and Burghfield where we already contribute to major projects. We are in the process of qualifying for a more significant proportion of these major projects. It has become clear that our client wishes to engage with Redhall directly rather than at the smaller operating company level a concept we are now selling to a wider audience.

The number of nuclear containers that we have been able to produce under our pond furniture framework contract won last year has been reduced in the current period. However, as referred to in an earlier statement the take off of these units is more back end loaded and the disappointment of this year should lead to greater volumes in the balance of the four year contract.

A major breakthrough during the course of this year has been the founding business of the Redhall Group, Booth Industries, selling into the nuclear industry particularly at Aldermaston and we have now received a design contract for a new project (Project MENSA) where volumes are likely to be significantly higher than for the current HEFF project. Turnover in this business is almost double that in 2005 and we now have three operational units. Booth's success in the nuclear industry is a good example of the

Group's ability to cross sell its products and services.

The waste to energy sector remains buoyant and we are anticipating more opportunities with our existing and future clients.

The oil industry opportunities are fewer than twelve months ago due to the current crude oil price but there are sufficient opportunities in our areas of activity to keep our workforce fully utilised.

Although the food and chemical sector has been relatively quiet in the last six months, we can see encouraging signs of more activity and we are particularly pleased with the development of the relationship with the Chinese chemical company, Bluestar, which could lead to work in China to add to the existing workload on the Humber Bank.

We continue to seek acquisitions that fit strategically, are earnings enhancing and that can be funded from our existing cash and bank resources. We have no desire to become highly geared and any acquisition will be dependent on its cash conversion properties. We now have a strong balance sheet and net cash. This unleveraged position will stand us in good stead should an opportunity arise to increase the scope and quality of the Group.

Current trading remains in line with expectations and our order book stands at £110 million (2008: £85 million).

Despite the global economic downturn, Redhall has continued to build upon the firm foundations that have been put in place and we expect to see increased benefits as and when the economy turns.

David Jackson
Chairman and Chief Executive

4 June 2009

Consolidated Interim Income Statement

		Six months to 31 March 2009 £000	Six months to 31 March 2008 £000	Year to 30 September 2008 £000
Revenue	Note 2	64,841	41,475	86,706
Cost of sales		(53,948)	(34,242)	(70,039)
Gross profit		10,893	7,233	16,667
Administrative expenses		(8,040)	(5,413)	(12,216)
Operating profit	2	2,853	1,820	4,451
Financial income	3	559	640	1,295
Financial expenses	3	(623)	(691)	(1,367)
Profit before tax		2,789	1,769	4,379
Adjusted PBTA*		3,107	1,902	4,647
Amortisation of intangible assets		(318)	(133)	(268)
Profit before tax		2,789	1,769	4,379
Tax on profit on ordinary activities	4	(697)	(318)	(777)
Profit attributable to equity holders of the Parent Company		2,092	1,451	3,602
Earnings per share	5			
Basic		7.49p	6.80p	16.89p
Diluted		7.40p	6.70p	16.62p

*Adjusted PBTA is profit before tax and amortisation of intangible assets.

Consolidated Interim Balance Sheet

	Note	As at 31 March 2009 £000	As at 31 March 2008 £000	As at 30 September 2008 £000
Assets				
Non-current assets				
Property, plant and equipment		6,636	4,513	5,246
Intangible assets		8,080	1,471	1,403
Purchased goodwill		23,437	10,085	10,085
Deferred tax assets		–	393	480
		38,153	16,462	17,214
Current assets				
Inventories		446	330	433
Trade and other receivables		25,672	21,332	24,817
Cash and cash equivalents		9,704	5,310	6,689
		35,822	26,972	31,939
Assets held for sale		248	249	248
Liabilities				
Current liabilities				
Trade and other payables		(24,459)	(18,632)	(22,220)
Borrowings		(493)	(370)	(491)
Current tax payable		(786)	(318)	(687)
		(25,738)	(19,320)	(23,398)
Non-current liabilities				
Borrowings		(4,088)	(4,581)	(4,335)
Deferred tax liabilities		(1,229)	–	–
Retirement benefit obligations		(964)	(647)	(886)
		(6,281)	(5,228)	(5,221)
Net assets		42,204	19,135	20,782
Shareholders' equity				
Share capital		7,372	5,331	5,331
Share premium account		19,075	1,116	1,116
Merger reserve		12,679	12,679	12,679
Revaluation reserve		785	804	785
Other reserve		208	80	141
Retained earnings		2,085	(875)	730
Total equity	6	42,204	19,135	20,782

Consolidated Interim Statement of Recognised Income and Expense

	Six months to 31 March 2009 £000	Six months to 31 March 2008 £000	Year to 30 September 2008 £000
Actuarial loss on pension scheme	–	–	(215)
Tax on items taken directly to or transferred from equity	–	–	(30)
Net income recognised directly in equity	–	–	(245)
Profit for the period	2,092	1,451	3,602
Total recognised income and expense for the period	2,092	1,451	3,357
Attributable to equity holders of the Parent Company	2,092	1,451	3,357

Consolidated Interim Cash Flow Statement

	Note	Six months to 31 March 2009 £000	Six months to 31 March 2008 £000	Year to 30 September 2008 £000
Cash generated from operations	7	1,715	2,648	5,753
Interest paid		(108)	(191)	(376)
Income taxes paid		(109)	(48)	(254)
Net cash from operating activities		1,498	2,409	5,123
Cash flows from investing activities				
Acquisition of subsidiary net of cash acquired		(16,224)	–	–
Acquired subsidiary's own costs of acquisition		(971)	–	–
Purchase of property, plant and equipment		(432)	(604)	(1,617)
Purchase of intangible assets		(30)	(39)	(119)
Proceeds from sale of equipment		26	13	14
Interest received		135	144	350
Net cash used in investing activities		(17,496)	(486)	(1,372)
Cash flows from financing activities				
Proceeds from issue of share capital		20,000	–	–
Repayment of borrowings		(250)	–	(125)
Payment of finance lease liabilities		–	(5)	(9)
Dividends paid		(737)	(266)	(586)
Net cash generated from/(used in) financing activities		19,013	(271)	(720)
Net increase in cash and cash equivalents		3,015	1,652	3,031
Cash and cash equivalents at beginning of period		6,689	3,658	3,658
Cash and cash equivalents at end of period		9,704	5,310	6,689

Notes to the Consolidated Interim Financial Statements

1. Basis of preparation

These consolidated interim financial statements are for the six months ended 31 March 2009. They have been prepared with regard to the requirements of IFRS. The financial information set out in these consolidated interim financial statements does not constitute statutory accounts as defined in S240 of the Companies Act 2005. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 September 2008 which contained an unqualified audit report and have been filed with the Registrar of Companies. They did not contain statements under S237(2) or S237(3) of the Companies Act 1985.

These financial statements have been prepared under the historical cost convention, except for revaluation of certain properties and financial instruments.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated interim financial statements.

2. Segment analysis

Following the acquisition of Chieftain Group plc, and as a consequence of increasing co-operation across the Redhall businesses, the Group has decided to re-organise its segmental reporting.

The revised reporting represents how the Group is and will be operating in the future. The 2008 comparatives have been restated. The activities in each segment are as follows:

Energy

Energy comprises the design and manufacture of bespoke plant and equipment, repair and maintenance of production and storage infrastructure and the implementation of major mechanical engineering projects in the UK nuclear, oil and gas and power generation sectors.

Defence

Defence encompasses activities on behalf of the Ministry of Defence ("MOD"). In particular the progress of marine outfitting of Astute class submarines at Barrow, West Cumbria and the design, specialist equipment manufacture and mechanical and electrical engineering activities at the Atomic Weapons Establishments at Aldermaston and Burghfield.

Process

Process comprises the design, manufacture and mechanical installation of process plant and systems to the food, chemical and pharmaceutical sectors.

2. Segment analysis (continued)

Primary business segments

The revenues and profit before tax generated by each of the Group's primary business segments are summarised as follows:

Six months to 31 March 2009

	Revenue £000	Operating profit before intangible asset amortisation £000	Intangible asset amortisation £000	Group operating profit £000
Energy	30,235	2,124	(93)	2,031
Defence	13,096	855	(72)	783
Process	21,510	1,324	(153)	1,171
Central costs	–	(1,132)	–	(1,132)
Total continuing operations	64,841	3,171	(318)	2,853
Financial income		559	–	559
Financial expenses		(623)	–	(623)
Group profit before tax		3,107	(318)	2,789

Six months to 31 March 2008

	Revenue £000	Operating profit before intangible asset amortisation £000	Intangible asset amortisation £000	Group operating profit £000
Energy	22,326	1,426	–	1,426
Defence	4,759	465	(27)	438
Process	14,390	1,184	(106)	1,078
Central costs	–	(1,122)	–	(1,122)
Total continuing operations	41,475	1,953	(133)	1,820
Financial income		640	–	640
Financial expenses		(691)	–	(691)
Group profit before tax		1,902	(133)	1,769

Notes to the Consolidated Interim Financial Statements

2. Segment analysis (continued)

Year to 30 September 2008

	Revenue £000	Operating profit before intangible asset amortisation £000	Intangible asset amortisation £000	Group operating profit £000
Energy	48,426	3,891	–	3,891
Defence	10,525	805	(53)	752
Process	27,755	2,194	(215)	1,979
Central costs	–	(2,171)	–	(2,171)
Total continuing operations	86,706	4,719	(268)	4,451
Financial income		1,295	–	1,295
Financial expenses		(1,367)	–	(1,367)
Group profit before tax		4,647	(268)	4,379

Geographical segments

The following table shows the distribution of the Group's consolidated revenue by geographical market, regardless of the origin of the goods or services.

	Six months to 31 March 2009 £000	Six months to 31 March 2008 £000	Year to 30 September 2008 £000
United Kingdom	59,902	39,972	81,684
Other European Union countries	758	508	2,115
Other overseas locations	4,181	995	2,907
	64,841	41,475	86,706

3. Financial income and expenses

	Six months to 31 March 2009 £000	Six months to 31 March 2008 £000	Year to 30 September 2008 £000
Financial income			
Interest income	135	144	350
Expected return on pension scheme assets	424	496	945
	559	640	1,295
Financial expenses			
Interest on bank loan	(113)	(194)	(382)
Interest payable in respect of lease finance	–	(1)	(1)
Interest cost on pension scheme liabilities	(510)	(496)	(984)
	(623)	(691)	(1,367)

4. Taxation

The charge for taxation has been based upon the estimated effective rate of tax of 25% (2008: 18%) for the current year. The lower effective tax rate experienced in 2008 reflected the utilisation of historical tax losses.

5. Earnings per share

Basic earnings per share

The calculation of basic earnings per share of 7.49p (31 March 2008: 6.80p; 30 September 2008: 16.89p) is based on 27,943,644 shares (31 March 2008: 21,323,434; 30 September 2008: 21,323,434), being the weighted average number of shares in issue throughout the period and on earnings of £2,092,000 (31 March 2008: £1,451,000; 30 September 2008: £3,602,000).

Notes to the Consolidated Interim Financial Statements

5. Earnings per share (continued)

Diluted earnings per share

The calculation of diluted earnings per share of 7.40p (31 March 2008: 6.70p; 30 September 2008: 16.62p) is based on profit for the period of £2,092,000 because there were no adjustments required (31 March 2008: £1,451,000; 30 September 2008: £3,602,000 - no adjustments were required for either period) and on 28,269,512 ordinary shares (31 March 2008: 21,666,674; 30 September 2008: 21,672,172) as calculated below.

	Six months to 31 March 2009 £000	Six months to 31 March 2008 £000	Year to 30 September 2008 £000
Earnings:			
Profit on ordinary activities after tax	2,092	1,451	3,602
Adjusted profit	2,092	1,451	3,602
	Number	Number	Number
Basic weighted average number of shares	27,943,644	21,323,434	21,323,434
Dilutive potential ordinary shares arising from share options	325,868	343,240	348,738
Adjusted weighted average number of shares	28,269,512	21,666,674	21,672,172

Adjusted earnings per share

The Directors believe that helpful additional earnings per share calculations are earnings per share on adjusted bases. The basic and adjusted weighted average numbers of shares are set out above. The adjusted earnings have been calculated as follows:

	Six months to 31 March 2009 £000	Six months to 31 March 2008 £000	Year to 30 September 2008 £000
Earnings:			
Profit on ordinary activities after tax	2,092	1,451	3,602
Amortisation of intangible assets	318	133	268
Tax on adjustments	(89)	(37)	(77)
Adjusted profit	2,321	1,547	3,793
Additional tax to full tax rate of 28%	(84)	(178)	(446)
Adjusted fully taxed profit	2,237	1,369	3,347
Adjusted basic earnings per share	8.31p	7.25p	17.78p
Adjusted fully taxed diluted earnings per share	7.92p	6.32p	15.43p

6. Statement of changes in equity

	Share capital £000	Share premium £000	Merger reserve £000	Revaluation reserve £000	Other reserve £000	Retained earnings £000	Total £000
At 1 October 2007	5,331	1,116	12,679	804	37	(2,060)	17,907
Profit for the year ended 30 September 2008	-	-	-	-	-	3,602	3,602
Transfer between reserves in respect of depreciation on property revaluations	-	-	-	(26)	-	26	-
Income taxes relating to items charged directly to equity	-	-	-	7	-	(97)	(90)
Actuarial loss recognised in the pension scheme	-	-	-	-	-	(215)	(215)
Movement in deferred tax relating to pension liability	-	-	-	-	-	60	60
Employee share-based compensation	-	-	-	-	104	-	104
Dividends	-	-	-	-	-	(586)	(586)
At 30 September 2008	5,331	1,116	12,679	785	141	730	20,782
At 1 October 2007	5,331	1,116	12,679	804	37	(2,060)	17,907
Profit for the half year ended 31 March 2008	-	-	-	-	-	1,451	1,451
Employee share-based compensation	-	-	-	-	43	-	43
Dividends	-	-	-	-	-	(266)	(266)
At 31 March 2008	5,331	1,116	12,679	804	80	(875)	19,135
At 1 October 2008	5,331	1,116	12,679	785	141	730	20,782
Shares issued in the period	2,041	17,959	-	-	-	-	20,000
Profit for the half year ended 31 March 2009	-	-	-	-	-	2,092	2,092
Employee share-based compensation	-	-	-	-	67	-	67
Dividends	-	-	-	-	-	(737)	(737)
At 31 March 2009	7,372	19,075	12,679	785	208	2,085	42,204

Notes to the Consolidated Interim Financial Statements

7. Cash flow from operating activities

	Six months to 31 March 2009 £000	Six months to 31 March 2008 £000	Year to 30 September 2008 £000
Profit after taxation	2,092	1,451	3,602
Adjustments for:			
Depreciation	417	222	501
Amortisation of intangible assets	318	133	281
Difference between pension charge and cash contributions	34	–	(15)
Profit on sale of property, plant and equipment	(2)	(2)	(1)
Share based payments charge	67	43	104
Financial income	(559)	(640)	(1,295)
Financial expenses	623	691	1,367
Taxation expense recognised in income statement	697	318	777
Decrease/(increase) in trade and other receivables	2,799	277	(3,208)
(Increase) in inventories	(13)	(27)	(130)
(Decrease)/increase in trade and other payables	(4,758)	182	3,770
Cash generated from operations	1,715	2,648	5,753

8. Dividends on equity shares

Amounts recognised as distributions to equity holders in the period:

	Six months to 31 March 2009 £000	Six months to 31 March 2008 £000	Year to 30 September 2008 £000
Final dividend for the year ended 30 September 2007 (1.25p per share)	–	266	266
Interim dividend for the year ended 30 September 2008 (1.50p per share)	–	–	320
Final dividend for the year ended 30 September 2008 (2.50p per share)	737	–	–
Amount recognised as distribution to equity holders in the period	737	266	586

The Directors have proposed an interim dividend for the six months ended 31 March 2009 of 1.65p per ordinary share. This proposed interim dividend was recommended by the Board of Directors on 4 June 2009 and has therefore not been included as a liability in these financial statements.

9. Acquisition

On 31 October 2008, the Company acquired the entire issued share capital of Chieftain Group plc (“Chieftain”) for cash consideration of £19,978,000 (including attributable costs of £1,112,000). Chieftain provides outsourced industrial and engineering support services to clients specialising in the marine, nuclear, petrochemical, power, oil and gas and process sectors. In the period from acquisition to 31 March 2009, Chieftain contributed £16,597,000 to revenue and £733,000 to operating profit. If the acquisition had occurred on 1 October 2008, the Group revenue would have been £68,860,000 and operating profit (before amortisation of intangible assets) would have been £3,263,000.

The provisional fair values attributed by the Directors to the net assets acquired are set out below. The fair values are provisional, based upon the Directors’ initial assessment of Chieftain and will remain subject to reassessment during the year ending 30 September 2010.

	Book values £000	Fair value adjustments £000	Acquired intangible assets £000	Provisional fair values £000
Property, plant and equipment	1,553	(170)	–	1,383
Intangible assets	–	–	6,978	6,978
Trade and other receivables	6,438	(2,437)	–	4,001
Cash and cash equivalents	3,556	–	–	3,556
Current tax (payable)/receivable	(26)	531	–	505
Deferred tax asset	–	244	–	244
Trade and other payables	(6,387)	(729)	–	(7,116)
Deferred tax liabilities	–	–	(1,954)	(1,954)
Net identifiable assets and liabilities	5,134	(2,561)	5,024	7,597
Chieftain’s attributable costs				(971)
Goodwill recognised on acquisition				13,352
Total consideration (including attributable costs)				19,978

The book values of assets and liabilities were extracted from Chieftain’s management accounts and underlying records as at the date of acquisition.

The principal fair value adjustments relate to:

- the revaluation of long leasehold property;
- the alignment of accounting policies with those of Redhall Group plc. In particular, in relation to revenue and profit recognition on the integrated outfitting contract for the Astute Class submarines which commenced in 2001 and which is long term in nature;

Notes to the Consolidated Interim Financial Statements

9. Acquisition (continued)

- the recognition of liabilities not recorded in the management accounts at the date of acquisition. In particular, onerous lease and dilapidations provisions on properties vacated prior to the acquisition; and
- the recognition of additional current and deferred tax assets.

The fair value adjustments are consistent with the Directors' expectations at the time of the acquisition.

Acquired intangible assets amounting to £6,978,000 relates to the value ascribed to customer contracts and relationships.

The goodwill recognised on acquisition is attributable to the assembled workforce including management, non-contractual customer relationships and economies of scale expected from combining the operations of the Group and Chieftain.

10. Distribution of interim report

Copies of this interim report are being sent to shareholders and are available from the Company Secretary, Redhall Group plc, 1 Red Hall Court, Wakefield, WF1 .

Independent review report to Redhall Group plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2009 which comprise the consolidated interim income statement, the consolidated interim balance sheet, the consolidated interim statement of recognised income and expense, the consolidated interim cash flow statement and related explanatory notes. We have read the other information contained in the half-yearly financial report which comprises the financial highlights and chairman's statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2009 is not prepared, in all material respects, in accordance with recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union.

Grant Thornton UK LLP

Chartered Accountants
Leeds

4 June 2009

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